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SUBJECT: Honduran Public Sector Unions Continue Large Labor Protest Over Alleged Back Pay; GOH Stands Firm

¶11. (SBU) Summary: A public employees union labor action that began in mid-March is ongoing and increasingly problematic for the GOH. Approximately 37,000 public employees from various government offices in Tegucigalpa are participating. Public Workers, led by the public employees union ANDEPH, are demanding salary increases allegedly due since 2001. The GOH has been firm that there is no back pay owed. Protesters have taken over or threatened to take over government ministries, and conducted temporary roadblocks and multiple protests outside Congress, the Presidential Palace, and the Supreme Court. A unified GOH stance against the protesters, in part necessitated by the tight fiscal disciplines imposed by the IMF means that, unlike the summer 2004 concessions to the teachers, it is doubtful that the GOH will accede to what appear to be baseless demands by public sector unions. End Summary.

Public Sector Unions Claim 2000 Decree Applies to Them

¶12. (U) A public employees union labor action that began in mid-March is ongoing and increasingly problematic for the GOH. Approximately 37,000 public employees from various government offices in Tegucigalpa are participating. Public Workers, led by the public employees union ANDEPH, are demanding salary increases allegedly due since 2001. ANDEPH claims that back salaries owed total some 620 million lempiras (over USD 33 million, some 21,000.00 lempiras or USD 1,120 per employee) for 37,000 public workers.

¶13. (U) Two different GOH decrees from fall 2000 (under the previous Flores Administration) are at play in this dispute. One is Decree 139-2000, approved in September 2000, when the GOH approved the increase of salaries for those public employees under the civil service law; raises ranged from 750 to 2,000 lempiras (USD 50 to 134). Decree 139-2000 covered public employees only and did not include private sector employees. Two months later, in November 2000, Decree 180-2000 was approved as a result of negotiations between unions and employers in the private sector when average salaries there were raised by 350 lempiras (USD 23). The decree only applied to private sector workers and the GOH participated in the negotiations in a mediator role.

¶14. (U) Public workers argue that Decree 180-2000 should have been made effective for them since April 2001; they argue that the adjustment was for all employees in view of the poor state of the economy since Hurricane Mitch in 1998. Minister of Labor German Leitzelar argues that the government did not and could not have granted two public sector salary increases in a period of two months during the same year. He has emphatically stated that Decree 180-2000 does not apply to public sector employees but rather only to private sector employees. However, ANDEPH leaders argue that their members are included in decree 180-2000.

¶15. (U) Minister Leitzelar suggested that ANDEPH ask for a legal interpretation of the Decree 180-2000 by the Supreme Court or accept arbitration, but ANDEPH refused arbitration. Leitzelar said that if the Supreme Court were to rule in favor of ANDEPH, the GOH will have no other alternative but to accept the ruling. However, with the protests showing no signs of abating and no Supreme Court action on the issue, Leitzelar may be forced to declare the strikes illegal before they bring the GOH to a standstill. Due to the labor protests, Leitzelar had to cancel his participation in the Central American Labor Ministers trip to Washington, DC April 4-6 for the unveiling of the Inter-American Development Bank "white paper" on labor conditions in countries in the Central American Free Trade Agreement (CAFTA-DR).

¶16. (U) The government's legal representative, Solicitor General Sergio Zavala Leiva, submitted a request to Minister Leitzelar, asking him to declare the ANDEPH strike illegal. Zavala argues that ANDEPH violated the internal framework of the labor law by refusing to sit down and negotiate the

conflict. The Labor Ministry must analyze the documentation presented by Zavala and decide whether or not to declare the strike illegal. Zavala indicated that he hopes that a mediator will still be appointed to mediate the conflict. Some press reports allege that ANDEPH offered several million lempiras to certain people with influence in the government in order to force the GOH to grant the salary increase allegedly owed to their members since 2001.

Protesters Take to the Streets (and Ministries)

17. (U) Protesters have taken over or threatened to take over government ministries, blocked roads, and conducted multiple protests outside Congress, the Presidential Palace, and the Supreme Court. Some 3,000 public nurses from around the country have also joined the strike, complicating matters for the GOH. Minister of Health Merlin Fernandez is calling for directors of hospitals in the country to prepare contingency plans so that patients continue to receive care. However, if the need arises, the GOH is prepared to call upon the military and the Red Cross to help treat patients. The growing backlog and lack of medical assistance at public hospitals is forcing hospital administrators to consider moving patients to private hospitals or hiring private medical/administrative workers in order to provide basic health care.

18. (U) President Ricardo Maduro met with his cabinet on March 6, prior to leaving the country to attend Pope John Paul II's funeral, to discuss a draft emergency decree to staff public hospitals with contract workers who are not part of the strikes. In addition, military medical and nursing personnel may be called if necessary and also personnel from private hospitals. ANDEPH authorities reacted to the emergency decree with more threats and protests.

19. (U) Supreme Court employees protested April 4 for several hours, but were compelled to end their protest by Article 319 of the Constitution, which states that judicial branch employees may not go on strike. Public teachers unions, notorious for multiple labor protests, have also threatened to join the protests. Teachers hope to meet with the Education Minister shortly to press for re-negotiation of the Teacher's Statutes covering pay and benefits and agreements reached with the GOH last year on teacher's salaries. Under its agreement with the IMF, the GOH must craft and implement a plan by 2007 to curb runaway growth in public sector wages, particularly for teachers and doctors. The unions claim that the IMF is trying to do away with previously won salary concessions from the GOH.

10. (U) On April 5, a small number of national university (UNAH) students belonging to the so-called United Revolutionary Front damaged a car and burned tires during a takeover at the University protesting the increases in gasoline prices. The actions caused bottlenecks and traffic jams for many hours. On April 6, a number of students from Instituto Central Vicente Caceres protested with a takeover of the main highway to the North Coast and almost got into fights with taxi drivers and truck drivers who were trying to get to the other side of the capital. Police were called in to restore order.

11. (SBU) Minister of Finance William Chong Wong said April 6 that there is no way for the government to apply Decree 180-2000 to public employees. To do so, he said, would break GOH commitments with the IMF and World Bank. (Note: Successful adherence to these agreements led to Honduras' April 5 attainment of the Heavily Indebted Poor Countries (HIPC) Completion Point, permitting them to approach the Paris Club for debt forgiveness of up to USD one billion. A loss of fiscal discipline (such as significant wage hikes for the public sector) could be disastrous for the GOH at this critical juncture, costing them hard-earned credibility and slowing or halting debt forgiveness talks with donors. End Note.)

12. (U) On April 6 the GOH posted some 1,200 soldiers and police to prevent takeovers by protesters at most government offices, including the Ministries of Health, Labor, Education, the tax offices (DEI), the National University (UNAH), the public hospitals, and the main offices of the water authority (SANAA).

United GOH Unlikely to Cave In

13. (SBU) Comment: The ongoing public employees wage protests, combined with protests against rising fuel and consumer goods prices, are problematic for the GOH. Negotiations also continue between transportation leaders and the GOH over fuel costs, including high fuel taxes. Despite these acute pressures, the GOH has thus far maintained a unified stance against the protesters, in part

necessitated by the tight fiscal disciplines imposed by the IMF. In Post's view, and in contrast to the summer 2004 concessions to the teachers, it is doubtful that the GOH will accede to what appear to be baseless demands by public sector unions. However, the protests could pose a threat to the National Party's hopes to win a second term in the presidency. If its candidate, President of Congress Pepe Lobo, starts to slip in the polls, it will be interesting to see how the GOH will react. In fact, Congress proposed April 7 establishing a commission of representatives from the GOH, Congress, and public employees unions to discuss the salary issue. End Comment.

Palmer